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C O N F I D E N T I A L ANKARA 006334

SIPDIS

STATE FOR E, P, EB, NEA/NGA AND EUR/SE
TREASURY FOR OASIA - MILLS AND LEICHTER
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NSC FOR BRYZA/MCKIBBEN

E.O. 12958: DECL: 10/08/2013
TAGS: [ETRD](#) [ETTC](#) [PREL](#) [TU](#) [IZ](#) [IR](#)
SUBJECT: FOREIGN TRADE U/S ON IRAQ/IRAN

REF: ANKARA 5658

(U) Classified by DCM Robert Deutsch. Reason: 1.5(b,d)

[11.](#) (C) Foreign Trade U/S Tuncer Kayalar told us October 6 that, during his recent visit to Teheran, State Minister Kursad Tuzmen had warned Iranian President Khatami not to "play games" on nuclear issues and to avoid supporting terrorists. Khatami responded, per Kayalar, that Iran would meet its commitments to the IAEA. Kayalar suggested that Turkey -- particularly Minister Tuzmen -- could play a helpful role in U.S. and international efforts to push Teheran to behave better on nuclear and other issues.

[12.](#) (C) Kayalar said press reports indicating that Turkish companies accompanying Tuzmen had signed \$200 million worth of export contracts probably understated matters. Of the 350 companies at the Teheran industrial fair, Turkish companies made up nearly one-third. Also, Tuzmen and his Iranian counterparts had agreed to establish border trading posts, which Kayalar described as similar to "duty-free" shops located right at the border crossing. Kayalar acknowledged that these posts would generate only a small amount of trade, but thought it would boost the local economy. He said Turkey hoped to double bilateral trade with Iran, which now stands at some \$2.2 billion annually.

[13.](#) (C) The U/S said Turkish exports to Iraq were booming, and could reach \$1 billion by year-end. This was having a very positive impact on the economy in Turkey's poor southeast, and the GOT is anxious to keep it going. Kayalar said the government had done everything possible to enhance efficiency at the Turkish side of Habur Gate, but believes a second gate -- along with a direct rail line -- is essential.

(Comment: In a demonstration of the lack of interagency communication in Ankara, Kayalar said he was unaware that Habur Gate would undergo renovation and that the MFA had asked CPA to agree to a temporary "second" gate while the renovation was underway. End Comment) Echoing Kayalar's comments, Southeastern Exporters' Union Chairman Abdulkadir Cikmaz told the press that exports to Iraq were revitalizing the southeast's economy, and that several production plants in Gaziantep had recently re-opened to service Iraqi import demands.

[14.](#) (SBU) We reminded Kayalar of our recent demarche (reftel) on U.S. ExIm's framework agreement with the Trade Bank of Iraq, and suggested that a similar, if smaller-scale, agreement by Turkey's Export-Import Bank would benefit both Turkish exporters and the Iraqi economy. Kayalar, who is Chairman of the Turkish Export-Import Bank board, said the GOT is studying the issue, but his response did not suggest any urgency.

EDELMAN